

Diplomatic Dancing

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If a page was turned in relations between the United States of America and Cuba in April when the presidents of both countries attended the seventh Summit of the Americas in Panama (see “Turning the Page” – issue 257), then a new chapter was opened when China initiated moves last year to establish the Asian Infrastructure Investment Bank.

Last October representatives from 21 Asian nations signed an agreement to establish it after the bank had been proposed by President Xi Jinping in 2013; it has since attracted 57 founding member countries. The AIIB, as its name suggests, will concentrate on funding infrastructure projects, especially in poorer parts of Asia. Reluctantly or otherwise, the Asian Development Bank, the International Monetary Fund and the World Bank have welcomed this development, and all will be wise to seek ways of collaborating with this new player on the field.

Cooperation may well become a key word in the future, certainly as far as China is concerned, if only whispered, rather than shouted, in the capitals of countries in the West. Meanwhile, just like a slow tango, China has embraced Latin America carefully, step by step, in a choreographed collaboration over the years and in May, at the Economic Commission for Latin America and the Caribbean’s headquarters in Santiago, Chile, Chinese Premier Li Keqiang didn’t turn a page, he opened a book, not just a chapter, in his country’s relationship with the region.

China had recognised back in 2009 the strategic, not just the economic, nature of the relationship with the region in its White Paper (the formal document which sets out official policy) and what Premier Li underlined in his speech in Santiago was his country’s sustained effort to become a partner in strengthening the ties of economic, political and general cooperation. His trip included visits to Brazil, Colombia and Peru, spreading the word to key countries in South America.

China is already the region’s second biggest trading partner and the value of bilateral trade since 2000 has grown 22 times greater up to the end of 2014. Bearing in mind that China is more of a commercial than naval power, it is the world’s largest shipbuilder, with the third-largest merchant marine and the largest number of vessels flying its own flag. It accounts for some one-quarter of the world’s container trade and makes almost all the steel boxes shipped on the world’s oceans. It may be true that commodities have forged the economic link with the region, but the goal now is diversification and collaboration – although Latin America needs to concentrate its mind on diversification when you consider that in 2013 just five single products, all of them commodities, made up 75 per cent of the value of shipments to China.

Alicia Bárcena, ECLAC’s Executive Secretary, said the relationship with China “has reached enough maturity to take a qualitative leap forward and advance towards strategic ties that provide mutual benefits”. Perhaps not the Great Leap Forward in 1958 engineered by Mao Zedong, the Chinese communist revolutionary and founding father of the People’s Republic of China, in his efforts to modernise China, but certainly more than just a few steps. The Chinese remind us that the journey of a thousand miles begins with a single step and although Chairman Mao’s prediction that by 1988 China’s economy would rival America’s was too ambitious, the destination was, nonetheless, reached, even if it took 27 years longer.

Just how long, on the other hand, the ambitions voiced by Alicia Bárcena will take to reach fruition is not easy to guess, but plans are in train to expand and deepen financial and investment relations, especially in the areas of infrastructure and energy. Latin America wants China to diversify its investments to include manufacturing services, transportation and energy; to this end Premier Li proposes three major pathways: logistics, energy and information technology. He also wants to broaden three financing channels (funds, credits and

insurance). As a sign of this blossoming relationship, during his tour the Chinese premier signed more than 70 cooperation documents covering energy, mining, infrastructure, construction, nuclear plants and scientific technological innovation, all with an estimated total value of more than USD30 billion. Meanwhile, Chinese President Xi Jinping has already pledged to invest USD250 billion in Latin America over the next ten years.

There is perhaps no clearer signal of the maturing relationship than the proposed east-west railway running across South America. Under the plan Peru's Pacific coast would link with Brazil's Atlantic coastline. The proposal was discussed between Premier Li and President Ollanta Humala when the Chinese premier visited Peru in May and the Peruvian president has agreed to study the proposal which has already been consented to by Brazil. Now all three countries will begin feasibility studies for a railway that would stretch 3,300 miles at a cost of approximately USD10 billion. Crucially, the plan would link a Peruvian and Brazilian port and would reduce the cost of shipping future raw materials and farm products.

In his Santiago comments Premier Li said that China and the region should speak with a common voice on issues such as reform of the international financial structure. Alicia Bárcena had said that reform of the international monetary system was an important item for future development and it is worth noting that East Asia has become one of the most interconnected regions in the world, known as "Factory Asia", where the currencies of most countries there now track the Chinese renminbi more closely than they do the American dollar.

What is clear is that China is no longer staying in the shadows and is taking on a more international role. The new AIIB exemplifies this new boldness, as does the New Development Bank which has already been established by the BRICS (Brazil, Russia, India, China and South Africa). Exasperation has spurred China's actions because it objects to the way that the World Bank and the International Monetary Fund operate, based on Western thinking, which has, for all intents and purposes, gone unchallenged for 70 years. This will change and according to Bhaskar Chakravorti, author of "The Slow Pace of Fast

Change", three out of the four largest economies in the world in 2030 are expected to be Asian.

Washington yet again has nominated another American to head the World Bank; and although China is the biggest economy in Asia, the Asian Development Bank is, as it has always been, managed by a Japanese president (and Japan's voting share is more than twice that of China's). Brazil, China and India only have 8 per cent of the IMF's voting rights, despite accounting for 19 per cent of global output.

The US, along with a number of other countries in the West, has not really come to grips with the speed at which the world order is evolving. When the Brazilian president visited Washington in June she represented a country which recently overtook the United Kingdom to become the world's sixth largest economy. Even so, she was not accorded state honours, which did not go down well in Brazil, and depending on your viewpoint, the American president might have been displaying displeasure at some of President Rousseff's policies. Brazil's relationship with the US is now only recovering from a sticky patch exacerbated by Brazilian spying claims levelled at America's National Security Agency and so in this political game of football the red carpet, rather than the red card, would have been politic.

Early in 1964, following the assassination of John F. Kennedy, a special emissary of President Francois Duvalier, Haiti's ruler and voodoo disciple, arrived at Arlington Cemetery and visited the dead American president's tomb. His mission was to take a bit of earth from each corner of the grave as part of a bizarre ritual which also required a withered flower and a breath of grave-site air to be bottled. Duvalier, trapped in the vortex of voodoo, believed that by this means he could "capture" the soul of Kennedy, render it subject to his will, and therefore control future American policies towards Haiti.

China is unlikely to go to such lengths to influence US foreign policy in the Caribbean or elsewhere for that matter. Premier Li came to Santiago to carry on China's diplomatic dance, with footwork which seems effortless. I will be very surprised, however, if President Obama didn't step once or twice on Dilma Rousseff's toes during their diplomatic dance together last month in Washington.

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